

Citigroup's Experience with Individual Development Accounts (IDAs)

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Topics

I. IDAs – Citigroup's Experience

II. IDAs – Potential and Limitations

I. IDAs – Citigroup's Experience

Citigroup's History and Experience - Philanthropy

- Citigroup was one of the first financial institutions to contribute to initial IDA pilot programs.
- Our grant support for IDAs includes:
 - \$1.5 million since 1999 to CFED to support the American Dream Demonstration Program, asset building education and outreach
 - More than \$2 million in operational support of local programs over the past five years
 - \$500,000 in 2004 to the “next generation” of asset building tools, Savings for Education, Entrepreneurship and Downpayment (SEED)
- We have been the Platinum sponsor of CFED IDA Learning Conferences.
- We have learned that LMI individuals, if given the opportunity and correct incentives, will save.

Citigroup's History and Experience - Business

- Early in the IDA movement, Citigroup was responsive to requests by local IDA partners to manage accounts.
- We have been the only bank in some markets willing to manage these accounts.
- Our financial management product is the Citiescrow account, which has no fees, no minimum balance and is interest bearing.
 - A master account is created with the non-profit agency
 - Sub-accounts are developed with IDA participants
- Account statements are sent to non-profit partners and individual account holders.
- Historically this product has been widely used by attorneys to escrow client funds.

Citigroup's History and Experience - Reporting

- In 2002, we initiated tracking of our IDA accounts.
- Over the years, we have managed 54 programs totaling 3,500 accounts.
- As of the end of 2005, almost 2,700 accounts were being managed through our programs.
- Our IDA program spans all Citigroup retail branch markets.
- We implement different IDA program structures, including stand alone and consortium programs, in different markets depending on need.
- The value of using these varied program structures is to better understand the best ways to reach people cost effectively.

Citigroup's History and Experience – Internal Structure

- We use a team approach to managing IDA Programs.
- Consumer Bank, Community Relations, Citigroup Foundation and the CRA Unit are involved.
- The team focuses on short- and long-term bank strategy.
- Our IDA program is part of a larger strategy of developing profitable products that help LMI populations build and retain assets at a much larger scale.

Services Citigroup Provides

- In addition to products, Citigroup provides the following services to its IDA partners:
 - Citigroup Financial Education Curriculum in English and Spanish through the Office of Financial Education:
www.financialeducation.citigroup.com
 - Seminars on other topics including homeownership and small business development
 - Technical assistance focused on building program capacity delivered through our Financial Center, Community Relations and business staff
 - Employee volunteers and Board representation
 - Support of local forums to provide education about IDAs

IDA Program - Benefits to Citigroup

- IDA programs help us:
 - Reach our goal of being the “Bank of Choice” for the unbanked and underbanked
 - Deepen relationships with non-profit leaders by helping their clients achieve self-sufficiency
 - Develop better bank customers, as people receive financial education and can make more informed decisions about their finances
 - Expand opportunities to provide “best in class” financial mainstream products and services such as affordable mortgages and small business and education loans
 - Achieve “Outstanding” CRA ratings

II. IDAs – Potential and Limitations

IDAs – Potential to Bring More Customers into Mainstream Banking

- Formal research concerning the movement of IDA customers into other banking products is in its infancy. No definitive conclusions have been drawn on its potential scope.
- However, anecdotal information indicates that IDA customers are beginning to utilize other banking products, including:
 - Checking accounts
 - Additional savings accounts
 - Mortgage refinance
- Other cross-sell products may include:
 - College savings 529 plans
 - IRAs
 - Mutual funds
 - Life insurance

IDAs – Limitations

- Despite their potential, we have only achieved moderate financial success with IDAs.
- The limitations that Citigroup has encountered with IDAs are primarily due to the decreased availability of matching funds for IDA accounts.
- Relatively few organizations offer IDAs.
 - Few account holders in each program
 - Limited capacity of our partners to handle this additional volume

Conclusion

- Our goal is to help make a difference in our local communities and help people make informed decisions concerning their finances.
- IDAs are one tool that helps Citigroup accomplish its goal.
- Thus far, our experience with IDAs indicates that they have the potential to bring more unbanked and underbanked customers into mainstream banking but they are limited.
- We continue to work with partners to develop profitable products that enhance the ability of LMI populations to build and retain assets, and IDAs are a central part of that strategy.